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STATEMENT TO THE

Royal Commission on Highway Transportation

IN THE

Province of Ontario

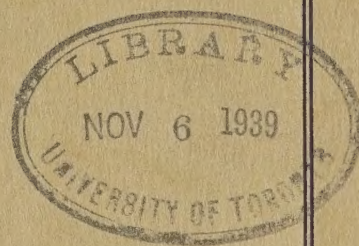
BY

Gray Coach Lines, Limited

and
3 Exhibits

see p. [v].

22



At TORONTO, CANADA
November 22nd, 1937

and Professor Jackson

STATEMENT TO THE

**Royal Commission on Highway
Transportation**

IN THE

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BY

Gray Coach Lines, Limited



At TORONTO, CANADA
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**Contents of Statement
to the
Royal Commission on Highway Transportation
in the Province of Ontario
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Gray Coach Lines, Limited**

	Page
Status of the Company	1
Scope of Commission's Operations	2
Commencement of Motor Vehicle Passenger Services	4
Extension of Gray Coach Lines' Operations into the Inter- urban Field	4
Development of Gray Coach Lines, Limited	7

**Specific Matters
Referred to Royal Commission
for
Investigation and Report**

Tolls and Rates Charged for Highway Passenger Services....	14
Taxes, License Fees and Other Charges Imposed on High- way Passenger Services	16
Wages	21
Hours of Labour	22
Subsidies	22
Regulations Controlling Provincial Highway Transportation Services	24
Cost of Roads in the Province of Ontario and Contributory Cost by Municipalities and Motor Vehicle Operators.....	26
Conclusions	30

[V]

EXHIBITS

(A) — An Act Respecting the City of
Toronto.

(B) — Annual Statement of the Toronto
Transportation Commission for the
Year Ended December 31, 1936.

(C) — Map Showing Routes Operated by
Gray Coach Lines, Limited.



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**Statement to the
Royal Commission on Highway
Transportation
in the
Province of Ontario
by
Gray Coach Lines, Limited**

STATUS OF THE COMPANY

In order that the Commission may be in a better position to appreciate the submission of the Company with respect to the matters referred to the Commission for report, the Company desires to outline its record and present status in the transportation industry.

Gray Coach Lines, Limited, is a company incorporated on June 28, 1927, under letters patent of the Province of Ontario. Its capital stock is, except for the directors' qualifying shares, wholly owned by the Toronto Transportation Commission. The latter Commission and its subsidiary Company constitute the largest transportation enterprise in the Province of Ontario.

In 1891 the City of Toronto, with legislative sanction, granted a street railway franchise to the Toronto Railway Company for a period of thirty years. As the necessities of a growing city required extension of the Company's railway and as the right of the Company to refuse such extension had been upheld by the Courts, the City built and operated during the period of the Company's franchise several lines of railway to serve the city's newer districts.

The franchise of the Toronto Railway Company fell in on September 1, 1921, and pursuant to notice, the City on that date acquired all its assets. Certain small suburban lines were shortly thereafter acquired so that by the end of

1922 all local transportation in the City of Toronto was owned by the City.

Pursuant to an overwhelmingly favourable vote of the city's ratepayers, the Legislature in 1920, by Statute 10-11 Geo. V, c. 144, authorized the creation by by-law of the City of a Commission to be known as the Toronto Transportation Commission, to manage the city's local transportation facilities. By By-law of the City No. 8498, dated August 5, 1920, such Commission was created, and by By-laws No. 8564 dated November 8, 1920, and No. 8828 dated August 31, 1921, the railway of the Toronto Railway Company, the Civic Railways, and all forms of local transportation were entrusted to its management.

Exhibit (A) hereto comprises copies of such statute and by-laws. It is therefore unnecessary to deal with them in detail but several salient matters should be pointed out.

The Commission was to consist of three resident ratepayers, not members of Council, appointed for three years or until their successors were appointed. They were given a free hand in management, for the statute declared that once the by-laws above referred to were passed "all the powers, rights, authorities and privileges of the said corporation as to the construction, maintenance, operation, control and management of street railways or transportation shall be exercised by the Commission and not by the Council of the Corporation".

Finally it is to be noted that one of the duties of the Commission under the statute, (sec. 12 (b)) was "to fix such tolls and fares so that the revenue of the Commission shall be sufficient to make all transportation facilities under its control and management self-sustaining, after providing for such maintenance, renewals, depreciation and debt charges as it shall think proper".

The Commission has been conservatively managed since its inception and as a result has been able, even through a period of sharp depression, to keep its enterprise, self-sustaining as required by the statute. It has met all its obligations including the cost of its capital and in fact has not sought new capital from the City since 1924.

SCOPE OF COMMISSION'S OPERATIONS

Detailed information covering the Toronto Transportation Commission's activities is contained in its Annual

Report for 1936 (Exhibit B.). The consolidated balance sheet shows total assets as at December 31, 1936, of \$58,247,670. Fixed assets at that date totaled \$52,909,336. This compares with a net funded debt of \$25,158,790. Total revenue from all sources for 1936 was \$10,650,096. These figures cover all the services owned by the Commission, including those of Gray Coach Lines, Limited.

As of September 1, 1937, the Commission and its subsidiary operated 270.8 miles of single track, 61.8 miles of bus routes, and 1,059 miles of interurban coach routes. Its rolling stock included 878 passenger street cars, 89 electric service cars, 84 motor buses in city service and 140 interurban coaches, 31 motor trucks, and 12 motor snow plows and sanders. The Commission's employees number approximately 3,000.

In suburban services the Commission provides transportation for fourteen municipalities adjacent to the City of Toronto. These services are provided on the basis of agreements with the several municipalities and are operated on a service-at-cost basis. Total suburban mileage operated includes 39.0 miles of single track and 23.1 miles of motor bus routes. The fourteen systems represent an aggregate capital investment of approximately \$3,000,000 and they serve a population in the neighbourhood of 235,000 which, combined with a city population of 648,000, constitutes a metropolitan district of nearly 900,000 population dependent upon the Toronto Transportation Commission for local transportation.

The Commission, in accordance with usual Canadian practice, has consistently differentiated between what it terms its "bus" services, operated as part of the city and suburban system, and its "coach" services, embracing all other automotive services which it operates. All the latter services have been transferred to Gray Coach Lines, Limited, which owns and manages them. Fixed assets of this Company, as at December 31, 1936, totaled \$2,192,270. The gross revenue for 1936 from all sources was \$970,264. On its interurban routes alone, Gray Coach Lines carried 1,810,415 revenue passengers in 1936, and operated 2,546,870 coach miles. Gray Coach Lines, Limited, is now operating 1,059 route miles of interurban services. (See Exhibit C.)

COMMENCEMENT OF MOTOR VEHICLE PASSENGER SERVICES

The growth in the Toronto Transportation Commission's use of the motor bus was a gradual and natural one. Almost from its inception in 1921 the Commission was confronted with the necessity of finding some relatively low cost passenger vehicle which would handle the moderate traffic originating in sparsely populated areas through which it was uneconomical to build car lines. Some of these areas were within the city boundaries, and feeder bus lines were provided at the regular city fare with transfer privileges. The greatest population increases, however, were occurring in the suburban areas surrounding the city, and in response to the demand for reliable transportation facilities the Commission provided new bus routes wherever required, under various types of agreements with the respective municipalities. Many of these were communities formerly served by the city-owned interurban electric lines which were forced out of business by motor car competition.

From its inception as an operator in 1921, the Commission for the first time in the city's history utilized motor buses with favourable results from the start. Rapid expansion has taken place in this type of service. In 1922 passengers carried on the city bus feeder system numbered 3,623,553, and by 1936 this figure had increased to 13,055,625 for that year. During the same period bus route miles increased from 4.27 to 34.52.

EXTENSION OF GRAY COACH LINES' OPERATIONS INTO THE INTERURBAN FIELD

The remarkable growth in the use of the private automobile since the war and the extensive programme of highway improvement inaugurated by the Province of Ontario were the direct cause of the disappearance of the interurban electric lines from the transportation field. They found themselves unable to compete with the increasingly popular private passenger car, and the City of Toronto, in common with most other electric interurban operators, lost almost its entire investment in radial railways.

Coincident with the improvement in highways there arose a demand for public passenger services over these highways, and the motor coach became the logical successor

to the interurban electric railway. In the early years the pioneering in interurban coach services was done by many small operators of comparatively limited financial resources, who in many cases did not give services of reliability and reasonable quality. As time went by it became obvious to regulatory authorities everywhere that highway passenger services must of necessity be in the hands of responsible operators and that, to ensure permanence and progressively better service, their permits must be as nearly as possible exclusive.

When the Government of the Province of Ontario decided on an extensive highway programme it believed the permits for passenger and freight transport on these highways should be in the hands of the steam railroads. Both railroads were asked on two or three occasions to take up these permits and they declined. It was then the Government's duty to see that the passenger transport permits were in the hands of the most responsible transportation people in the various parts of the province. In the case of the lines radiating from Toronto it was logical that the Toronto Transportation Commission, as the most qualified transportation concern in the district, should undertake the responsibility of co-ordinating all services into the one publicly owned system.

In an address before the Electric Club of Toronto on January 20, 1932, Hon. Leopold Macaulay, then Minister of Highways for the Province, stated:—

“Both Premier Henry and myself, as Ministers of Highways, and authorities of other provinces too I believe, have repeatedly but unsuccessfully urged the railroads to go into auxiliary lines of traffic, and operate trucks and buses as feeders to their long run principal lines. We would have welcomed the railway companies as operators of such services in this province, but they could not see their way clear to entering the field.”

With the gradual improvement in the motor bus there had grown up around Toronto a network of independently owned motor bus lines extending beyond the zones previously reached by the interurban electric lines and serving areas not touched by them. By 1927 eighteen independent motor bus lines were operating into the heart of Toronto, moving 3,000,000 passengers per year over city streets and paralleling the Commission's city and suburban services.

In the regular course of its business the Commission continuously encountered strong evidence of the public desire for efficient and moderately priced automotive transportation between Toronto and points reasonably adjacent thereto. The steam railroads did not and could not give a service of the type demanded and every day saw the electric interurbans losing more and more ground in their hopeless fight against motor traffic.

The Commission therefore decided to respond to the popular demands made upon it and to enter the interurban motor coach field. The success which has attended this enterprise shows that it correctly appraised the public's wishes.

The reasons actuating the Commission in coming to this decision may be expressed as follows:

(1) Its organization, experience and equipment permitted it to give the public better and cheaper service than anyone else could. The tacit encouragement given the Commission by the Ontario Government witnesses that it too recognized this fact.

(2) To prevent control of the city's entrances by highway falling into the hands of others. The City of Toronto had just spent over \$13,000,000 to extinguish transportation franchise rights in and about the city and to give its citizens the benefit of a unified transportation system. It would have been short-sighted in the extreme if a similar situation with respect to highway transport had been allowed to develop.

(3) The electric interurbans about the city had passed into the hands of the City and, as has been pointed out, were gradually becoming moribund. Their replacement by motor coach was a natural sequence of the principle established as appropriate by the City Council and the Ontario Legislature. Further it was only equitable that the City, which had lost heavily in interurban investments, should have control of the new transportation agency.

(4) To protect the investment in the City's local transportation system by making some effort to prevent loss of revenue due to operations of independent operators over city streets.

The Commission's action in respect of interurban services has probably been as popular a move in every quarter

as any it has ever undertaken. That it has been endorsed by the City Council and the Ontario Legislature is evidenced by the fact that on three occasions, in 1927, 1930 and 1936 the City's private act has been amended to give the Commission broader powers in respect of such services. Since June, 1927, these services have been owned and operated by Gray Coach Lines, Limited, the Commission's subsidiary.

DEVELOPMENT OF GRAY COACH LINES, LIMITED

(a) Historical—

The first motor coach services, as distinct from the motor bus services operated in connection with the street railway system, were instituted by the Commission in 1925. In that year the Commission acquired the assets of the then existing company furnishing the sightseeing services in the city and proceeded to develop a fully modernized service of this type. In the same year a special fare motor coach service, separate from the street railway system, was initiated serving certain high class residential districts in the city. An important factor entering into the decision to develop this new service was the fact that it enabled utilization of coach equipment not used in the sight-seeing services during the winter months, winter being the period of peak demand on the special fare service. A year later, in response to the demand of tourists for a motor coach service to the Niagara frontier, a provincial permit was secured for the operation of a motor coach route from Toronto to Niagara Falls. In May, 1927, this route was extended a distance of 21 miles into Buffalo.

By the early summer of 1927 the Commission's investment in motor coach services had reached a total of approximately \$1,000,000 and it was deemed wise to segregate the coach operation from the City System. Accordingly, Gray Coach Lines, Limited, was incorporated on June 28, 1927, with an authorized capitalization of \$1,000,000. The Share Capital was issued in the name of the Toronto Transportation Commission and in return the Commission transferred its investment in all the motor coach services then under its control to the new subsidiary company.

The reasons for setting up a subsidiary company to handle interurban passenger services were because of the desirability to separate the accounts from those of the Commission's other services and to segregate operating results.

It was felt that it should be made clear to the users of each of these services that neither was subsidizing the other and that each was strictly on a service at cost basis.

Gray Coach Lines, Limited, entered interurban service by purchasing franchises and equipment of existing operators. In each case the sale was voluntary and the transfer of the existing franchise was made with the approval of the Ontario Government. In all, ten companies have been purchased for a total of \$836,986. Of this sum, \$581,000 was for franchise and good-will, the franchise constituting nothing but the right to operate. The remainder, \$255,986 or 30%, represented physical assets taken over.

When Gray Coach Lines, Limited, proposed to purchase one of the two operations between Toronto and Oshawa, the Government required the Company to purchase the other operation on the route because it felt that the continuance of competition would not be in the public interest. The same requirement was insisted upon with respect to the operation between Toronto and Hamilton where there were two operators, one operator having a permit on both the Lake Shore and Dundas Highways and the other only on the Lake Shore Highway. The existence of competitive services over the Oshawa route and the two Hamilton routes had been an inheritance from the period previous to government regulation.

(b) Administration of Gray Coach Lines, Limited—

The Board of Directors of Gray Coach Lines, Limited, is composed of the three Commissioners, the General Manager, the Comptroller, the General Counsel, and the Superintendent of the Motor Traffic Department of the Toronto Transportation Commission, the Chairman of the Commission being Chairman of the Board, and the General Manager of the Commission being President. The operating personnel of Gray Coach Lines, Limited, is entirely Commission personnel, which enables the Company to operate on the basis of a low administrative overhead and further enables close co-ordination with the City System.

(c) Comparative Income Statement, Gray Coach Lines, Limited—

Herewith is a statement of the revenue and expenditures of Gray Coach Lines, Limited, for representative years since 1927:—

REVENUE AND EXPENDITURE ACCOUNT — GRAY COACH LINES, LIMITED

Revenue:	1927	1930	1933	1936
Earnings from Passengers	\$567,337.53	\$1,285,654.53	\$741,434.81	\$859,345.99
Earnings from Launches .....	.....	5,608.07	1,809.50	1,941.02
Other Income	3,656.70	30,813.91	69,716.98	108,977.47
	<u>\$570,994.23</u>	<u>\$1,322,076.51</u>	<u>\$812,961.29</u>	<u>\$970,264.48</u>
Operating Expenses:				
Operation, Repairs, Taxes	\$418,653.75	\$ 973,653.37	\$631,512.21	\$677,968.70
	<u>\$152,340.48</u>	<u>\$ 348,423.14</u>	<u>\$181,449.08</u>	<u>\$292,295.78</u>
Net Income:				
Appropriated as follows:—				
Interest and Dividends to T.T.C. at 5%	\$ 42,098.20	\$ 61,108.47	\$ 50,000.00	\$ 50,000.00
For Depreciation Reserve	99,809.92	227,496.72	120,286.52	224,046.93
For Doubtful Debts	3,700.00	750.00	.....	.....
For Contingencies	3,000.00	.....	.....	10,000.00
For Unredeemed Tickets .....	.....	.....	.....	.....
For Injuries and Damages .....	.....	48,818.53	10,000.00	Taken under Operating Expenses
For Surplus Account	3,732.36	10,249.42	1,162.56	8,248.85

The figures for 1927 were for the Company's first year of operation. Those for 1930 show the Company's biggest year just before the depression took effect. 1933 was the low point in the depression years. The increase in business since that time has been consistent and the net income is approaching 1929-30 levels. It should be noted that this satisfactory result is due largely to the effective reduction in operating expenses which was accomplished.

The decline in revenue suffered between 1930 and 1933 was in line with the experience of general business and of other transportation agencies in Canada. The drop in revenue from \$1,322,077 in 1930 to \$812,961 in 1933 was partly offset by a reduction in operating expenses from \$973,653 in 1930 to \$631,512 in 1933. Since that year the Company has managed to hold operating expenses to within 7.3% of its low while revenues have recovered 19.3% to \$970,264.

Examination of the distribution of net income for the several years reveals the sound financial practice followed by the Company. Interest and dividends include an annual dividend of 5% on the capital stock held by the Transportation Commission. Appropriations for depreciation provide for a writing off of franchise values over a fifteen year period, as well as for replacement of operating equipment, which actually costs in Canada 35% more than it does in the United States. Inasmuch as it is reasonable to assume an appreciation in franchise values as the density in population and traffic increases, their writing down as indicated reflects a conservative policy. Physical depreciation is assessed at approximately 6 cents per coach mile. The corresponding figure for some fifty of the largest motor coach operating companies reporting to the American Transit Association, with one exception, ranges from 2.5 cents to 5 cents. The coach life of new vehicles is estimated at not more than 300,000 miles. The fact that the Company's services are operated at cost is indicated by the size of the operating surpluses for the several years, the amount in no case having exceeded \$10,249.

(d) Balance Sheet, Gray Coach Lines, Limited—

The Balance Sheet of Gray Coach Lines, Limited, as at December 31, 1936, is printed herewith.

It will be observed from the Balance Sheet cited above that the Company has no funded debt and that its fixed assets as of December 31, 1936, totaled \$2,192,270, compared with a capital stock liability of \$1,000,000. During the ten

GRAY COACH LINES, LIMITED

BALANCE SHEET — DECEMBER 31, 1936

ASSETS

CAPITAL ASSETS:

Motor coaches, launches and other equipment, at cost	\$1,745,488.87
Franchise rights, at cost..	446,781.00

INVESTED FUNDS:

Dominion Government and municipal bonds at cost (market value \$444,050.00)	
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CURRENT AND WORKING ASSETS:

Unexpired insurance premiums, prepaid licenses, etc.	\$ 25,280.06
Trade accounts receivable, less reserve of \$1,894.85 for estimated losses	14,826.20
Accrued interest	4,143.39
Working funds advanced to agents and employees	2,800.00
Cash on hand and in banks	121,683.65

168,733.30

\$2,786,963.65

CAPITAL, RESERVES AND LIABILITIES

CAPITAL STOCK:

Authorized and issued: 10,000 shares of \$100.00 each	\$1,000,000.00
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SUNDRY LIABILITIES:

Accounts payable, due and accrued	\$ 85,028.11
Dividend at 5 per cent. payable to Toronto Transportation Commission	50,000.00

425,960.48

135,028.11

RESERVES FOR DEPRECIATION AND AMORTIZATION

1,461,100.96

OPERATING RESERVES AND RESERVES FOR CONTINGENCIES:

For workmen's compensation and public liability \$	98,132.01
For tickets in the hands of the public	5,303.23
For contingencies	40,542.00

143,977.24

46,857.34

\$2,786,963.65

ACCUMULATED SURPLUS

year period ended December 31, 1936, extension of services was financed entirely from Company reserves.

(e) Growth of Traffic Handled by Gray Coach Lines, Limited—

The following table indicates the volume of the Company's interurban passenger traffic during the ten year period of its operation:—

Year	Revenue Passengers	Passenger Revenue
1927	281,602	\$268,482.00
1928	567,193	504,499.00
1929	1,639,213	897,322.00
1930	2,593,381	997,755.00
1931	2,113,114	831,039.00
1932	1,836,983	693,694.27
1933	1,629,024	603,836.89
1934	1,710,151	642,272.12
1935	1,739,603	657,884.64
1936	1,810,415	673,413.72

The Company now operates a year-round service of 837 miles of route which is increased in summer to 1,059 route miles.

(f) Centralized Control of Coach Services Radiating From Toronto a Logical Development—

Previous to the advent of Gray Coach Lines, Limited, motor coach operations radiating from Toronto were, as has been stated, in the hands of independent operators, many of whom were not financially stable. Few of the operators had sufficient resources to provide up-to-date equipment, spare vehicles to give adequate service at times of heavy travel, or the garage facilities necessary to properly maintain their equipment. Wages were poor; hours of labour were long; and schedules were not dependable.

Under present conditions a marked contrast exists. The linking of suburban and interurban services to the city passenger transportation system assures sound finances, modern equipment, flexible and dependable services, and good working conditions for employees. The net effect of these improvements has been a marked increase in public confidence in the safety and dependability of the service, which in turn has resulted in steadily increased patronage. Since their inauguration in 1927, Gray Coach Lines' services

have carried approximately 16,000,000 interurban passengers and 21,000,000 local passengers, without a passenger fatality. Serious interruptions to schedules are practically unknown.

Many of the advantages resulting from this co-ordination of services do not appear at first sight. One of the primary economies made possible by the unified operation is derived from diversified use of equipment which is mutually beneficial to all three services, urban, suburban and interurban. It has been found from experience that peak traffic demand occurs on the city system during the winter months, whereas the demand on the interurban coach routes occurs during the summer. Similarly the five week days carry the heaviest traffic on city and suburban feeder buses, while week-ends create the heaviest demand on interurban coaches. These conditions permit of the reciprocal use of equipment, resulting in low capital and operating costs, to the benefit of both transportation services and the public. This feature of course also permits of considerable saving in operating personnel. The co-ordination of services allows for savings in administrative overhead and in the maintenance of equipment. The same garage facilities provide for both.

Specific Matters

Referred to Royal Commission

for

Investigation and Report

TOLLS AND RATES CHARGED FOR HIGHWAY PASSENGER SERVICES

As stated earlier in this brief, all services under control of the Toronto Transportation Commission are operated on a service-at-cost basis. Under the terms of its statute the Commission is required to establish such tolls and fares as shall make the transportation services it directs self-sustaining, after providing for such maintenance, renewals, depreciation and debt charges as it deems proper. The management of Gray Coach Lines, Limited, has carried on its services upon the same scheme of operation as is required of the Toronto Transportation Commission. The first consideration is to set a fare attractive enough to encourage a wide use of its services. The Company's aim is to have sufficient resources to provide the public with a reliable and frequent service with the best of modern equipment.

All rates of fare are of course subject to an over-riding authority, the Department of Provincial Highways. Attention is directed to Section 5 of the Ontario Public Vehicle Act of 1930, which states as follows:

"5-(1)—No tolls shall be charged until a tariff of such tolls has been filed with and approved by the Department, nor shall any tolls be charged under any tariff or portion thereof disallowed by the Department, nor shall any person charge, levy and collect any toll for any service as a common carrier, except under the provisions of this Act.

"5-(2)—A tariff of tolls approved by the Department shall be subject to revision by the Department at any time and no tolls shall thereafter be charged except in accordance with such revised tariffs."

The Company has not experienced any Departmental criticism or public dissatisfaction with the fares it charged. They have been low enough to attract patronage and high enough to pay the full cost of service.

Comparison of Tolls and Rates With Those of Other Forms of Transportation—

No comparison of the rates of fare charged by different forms of transportation agencies is of value unless such agencies are competitive or at least comparable. Obviously a comparison of fare structure between the interurban motor coach and the passenger transport aeroplane is pointless. The one has practically nothing in common with the other in the matter of the service it provides, and the factors on which the fare structure for the one is determined would be quite different from those used for the other. A comparison between the fares charged on coach services and on passenger services by water may possibly for a like reason be dispensed with.

The fact that the motor coach and the railroad train are both land transport agencies might seem to suggest comparison between them, but it should be pointed out at once that there is a great difference in their function. The motor coach provides a frequent and flexible point to point passenger service which is able to pick up and discharge passengers not only at the centres of population but at individual farm gates, at schools, and at cross roads. The popularity of this feature is one of the chief reasons for the growth of motor coach operations during the past fifteen years. In contrast, steam railroad operation is restricted by its very nature to providing more or less infrequent travel facilities between centres of population.

If rail and road passenger transportation were each furnished at cost, the fares could be compared; but this is not so in the case of rail passenger fares. It is conceded by railroad executives that their passenger services are not self-sustaining; the fact is, in Canada, they are provided at less than cost. As has already been established, all transportation services of Gray Coach Lines, Limited, are furnished on a service-at-cost basis. In either case the determining factor in the rates of fares charged should be the cost of the service. If the railroads provide their passenger services at less than cost, they are obviously subsidized in one way or another, and to that extent are unfair to the self-sustaining motor coach.

In the Dominion Bureau of Statistics' Report for 1936 on Steam Railway Operations, the average passenger receipt per passenger per mile was given as 2.076c for all steam railways in Canada. Gray Coach Lines' average receipt for interurban services was 2.36c per mile for 1936. In this latter analysis all the factors peculiar to public passenger services were taken into consideration, such as commuters', children's and student's rates, special fares for large parties, interline business, etc. Seasonal rate reductions on the part of the steam railroads actually pulled their rate per mile down to 1.873c for the month of July 1937 and to 1.786c for the month of July 1936.

After all is said and done, however, it is our belief that fare structures of different transportation agencies should be independently drawn and that there is really little reason for argument so long as each is honestly based upon the actual costs of providing the service.

TAXES, LICENSE FEES AND OTHER CHARGES IMPOSED ON HIGHWAY PASSENGER SERVICES

The operation of motor coach services is subject in Ontario to three main forms of direct taxation:

(1) License or registration fees—the amounts of which vary in accordance with the gross weight of the vehicle and which in the case of Gray Coach Lines, Limited, averaged for 1936 \$129.00 per coach.

(2) A seat tax of 1/20 of a cent per seat mile on provincial highways, and 1/30 of a cent per seat mile on county and township roads. In the case of Gray Coach Lines, nearly all the coach mileage is performed over Class A provincial highways.

(3) A tax on gasoline of 6 cents per gallon.

There are also, of course, municipal, corporation and property taxes which are not applicable directly to highway maintenance but are part of the general costs of service.

During the year 1936, as an example, Gray Coach Lines, Limited, paid on its interurban services the following direct highway taxes:—

License Fees	\$ 9,546
Seat Tax	24,597
Gasoline Tax	27,710
Total	<u>\$61,853</u>

The total highway tax per coach for the year was \$835.84, distributed as follows:

Taxes per Vehicle	
License Fees	\$129.00
Seat Tax	332.39
Gasoline Tax	374.45
Total	<u>\$835.84</u>

The total highway tax per interurban coach mile was 2.43 cents, distributed as follows:

Taxes per Coach Mile	
License Fees	.38 cents
Seat Tax	.96 "
Gasoline Tax	1.09 "
Total	<u>2.43 "</u>

The tax per mile of highway traversed totaled \$109.26, distributed among the three items as follows:

License Fees	\$ 16.86
Seat Tax	43.45
Gasoline Tax	48.95
Total	<u>\$109.26</u>

The total direct highway taxes paid by the interurban lines of the Company for the year 1936, expressed in percentage of gross revenue, was 9.19%.

In the foregoing figure of \$835.84 for the aggregate of highway taxes per vehicle paid by Gray Coach Lines on their interurban routes, it should be explained that this figure is based upon the total number of interurban vehicles licensed and available for service. The Company has a large number of coaches which are used only at summer peak periods so that the public may be adequately served when highway

6) 374.84
 36
 14
 12
 24
 24

travel is at its maximum for the year. Motor coaches supplying the base or regularly scheduled service throughout the year averaged during 1936 approximately 65,000 miles per coach. The fleet average was 34,400. A coach in regular year round service over provincial highways pays to the Government over \$1,400.00 in direct highway taxes. *too high*

Comparison of Taxes, License Fees and Other Charges—

I.—With Other Motor Vehicles Using the Highway.

It is desired to stress the fact at once that the motor coach is the most heavily taxed user of the highways in Ontario. During the fiscal year ending October 31, 1936, revenue from licenses, seat taxes and gasoline taxes collected in Ontario totaled \$26,924,028. The number of registered motor vehicles for the calendar year 1936 in Ontario was 590,226. Based on these figures the average tax for motor vehicles using the highways was \$45.50. As already stated, motor coaches operated by Gray Coach Lines, Limited, in interurban service paid in 1936 an average tax of \$835.84 per vehicle. The interurban coach, therefore, on this basis pays taxes eighteen times greater than the average for all motor vehicles using the highway.

II.—Comparison with Interurban Coaches in Other Provinces.

The system of licensing motor vehicles varies considerably in the several provinces, so that for the purpose of this comparison the following specifications for the commonly used interurban motor coach were assumed:

Capacity	— — —	29 passengers and driver
Weight, unladen	—	15,000 pounds
“ laden	—	19,050 “
Miles Operated	—	36,000 per year
Scheduled Highway		
Mileage	— — —	30,000 “ “
Gas Consumption	—	6,000 gals. per year
Gross Revenue	— —	\$10,800 per year @ 30c per mile
Wheelbase	— —	230 inches

Based on these factors the taxes paid in the various provinces on a typical interurban 29 passenger coach were for 1936:

Province	Registration Fee	Road Tax	Gas Tax	Total
Alberta	\$ 35.00	\$250.00	\$420.00	\$705.00
British Columbia	210.00	80.00	420.00	710.00
Manitoba	74.00	84.00	420.00	578.00
New Brunswick	414.50	216.00	480.00	1,110.50
Nova Scotia	200.00	xxx	480.00	680.00
Ontario	x130.00	435.00	360.00	925.00
Pr. Edward Island	382.00	50.00	600.00	1,032.00
Quebec	226.00	292.00	360.00	878.00
Saskatchewan	30.00	258.00	420.00	708.00

Average \$814.07

xxx—Public Vehicle Act not yet enforced.

x—Registration Fee to be \$97.50 in Ontario for 1938.

It will be noted that the total amount of direct taxes paid by the interurban coach in Ontario is above the average for the nine provinces. If it were not for the fact that the gasoline tax in most other provinces is excessively high, this amount would be considerably higher than the average. The gasoline tax in the four western provinces is 7c a gallon, in Ontario and Quebec 6c a gallon, in Nova Scotia and New Brunswick 8c a gallon, and in Prince Edward Island 10c a gallon.

To complete the motor vehicle taxation picture in Canada it might be of interest to show a like comparison for private passenger cars and trucks in the various provinces:—

Private Passenger Car

Assume specifications for an average priced car as follows:

Weight	— — —	2,400 pounds
Wheelbase	— —	110 inches
Horsepower	— —	6 cylinder over 28 H.P., or 8 cylinder between 25 and 35 H.P.
Miles Operated	—	8,000 per year
Gas Consumption	—	400 gallons per year

Province	Registration Fee	Gas Tax	Total
Alberta	\$15.00	\$28.00	\$43.00
British Columbia	20.00	28.00	48.00
Manitoba	14.00	28.00	42.00
New Brunswick	16.40	32.00	48.40
Nova Scotia	17.28	32.00	49.28
Ontario	x15.00	24.00	39.00
Prince Edward Island	13.00	40.00	53.00
Quebec	17.80	24.00	41.80
Saskatchewan	15.00	28.00	43.00

Average \$45.28

x—Fee will be \$10.00 for 1938.

Public Commercial Vehicle (Truck) Highway Operation

Assume the following specifications:

Weight, unladen	—	10,000 pounds
“ laden	—	20,000 “
Annual Mileage	—	30,000 revenue miles
		5,000 non-revenue miles
Gas Consumption	—	5,000 gallons per year
Gross Revenue	—	\$8,400 @ 28c per mile

Province	Registration Fee	Road Tax	Gas Tax	Total
Alberta	\$ 35.00	\$250.00	\$350.00	\$635.00
British Columbia....	110.00	72.50	350.00	532.50
Manitoba	80.00	125.00	350.00	555.00
New Brunswick	302.00	100.00	400.00	802.00
Nova Scotia	210.00	xxx	400.00	610.00
Ontario	x170.00	65.00	300.00	535.00
Pr. Ed. Island	400.00	None	500.00	900.00
Quebec	251.00	300.00	300.00	851.00
Saskatchewan	52.50	309.00	350.00	711.50

Average \$681.33

xxx—Public Vehicle Act not yet enforced.

x—Registration Fee to be \$127.50 in Ontario for 1938.

From these tables it will be seen that for the year 1936 where the private passenger car in Ontario paid \$39.00, or 14% less taxes than the average, and the common carrier truck in Ontario paid \$535.00, or 21% less than the average, the motor coach in this province paid \$925.00, or 13.5% more than the average for all provinces in Canada.

III.—Comparison with Taxes Paid by Interurban Coaches in the Border States.

Using the same specifications for a typical 29 passenger motor coach as was used for the Canadian provinces, the total of the annual taxes paid in the five states bordering on Ontario and Quebec, on this type of vehicle in 1936 was as follows:

State	Registration Fee	Road Tax	Gas Tax	Total
Maine	\$180.00	.....	\$240.00	\$420.00
New Hampshire	120.00	.....	240.00	360.00
Vermont	200.00	.....	240.00	440.00
New York	67.50	.....	180.00	247.50
Michigan	187.50	\$ 60.00	180.00	427.50
Average				\$379.00

It will be seen that the average of direct taxes paid by the interurban operator in the Border States is only \$379.00, or 46.5% of the \$814.00 in taxes paid by the average Canadian operator, and only 41% of the \$925.00 in taxes paid by the average Ontario interurban motor coach.

IV.—Comparison of Taxes Paid by Gray Coach Lines, Limited, With Those Paid by the Railroads.

Probably the only basis for a comparison between the taxes paid by the two land transport passenger agencies lies in the relationship of these taxes to gross earnings. As was stated on page 18, direct highway taxes alone paid by Gray Coach Lines, Limited, in 1936 amounted to 9.19% of gross revenue. Figures for 1936 are not available but for 1935, according to the "Statistics of Steam Railways of Canada" issued by the Dominion Bureau of Statistics, the total taxes paid in per cent. of gross revenue by the Canadian National Railways was 2.73%, and by the Canadian Pacific Railway 3.19%.

WAGES

All interurban coach drivers in Gray Coach Lines' services are paid at the rate of 65c an hour. The yearly earnings of regular operators on base services are approximately \$1,700.00. Spare men have an average wage approaching that of regular men.

HOURS OF LABOUR

The Province of Ontario Public Vehicle Act, Sec. 18, makes the following requirement: "No person owning, controlling, operating or managing any public vehicle shall cause or allow any driver or operator of such public vehicle to work as driver or operator for more than a maximum of ten hours in any twenty-four hour period."

Gray Coach Lines' operations are conducted strictly in accordance with this regulation. The average working day for regular drivers is slightly over eight hours and they work a six day week.

SUBSIDIES

No subsidies of any kind are contributed to Gray Coach Lines by any governmental or municipal authority. On the contrary, motor coach service is probably the only form of public passenger transportation which established itself without government assistance. In fact that large section of the public which is dependent upon the motor coach for the use and enjoyment of public highways is really paying, through the assessments levied against the motor coach, a share of highway taxation out of all proportion to actual usage.

Statements have been made that motor coach services are subsidized in that they do not pay for the right of way which they use. In answer to this we desire to point out the comparison between actual highway maintenance costs and the amounts contributed by Gray Coach Lines in direct taxation for its use of representative sections of highway. Herewith are cited the maintenance costs on three of the typical routes operated by the Company, according to figures furnished by the Ontario Department of Public Highways:

Highway Maintenance Costs For the Year Ended March 31, 1937

Toronto-Oshawa, Highway No. 2, 26.42 miles—	
Total Maintenance Cost	\$18,460.02
Toronto-Orillia, Highway No. 11, 75.8 miles—	
Total Maintenance Cost	35,639.57
Toronto-Hamilton, Highway No. 2, 35.9 miles—	
Total Maintenance Cost	16,669.55

An analysis of the base service alone, provided by Gray Coach Lines over these sections of highway, discloses that the Company pays in direct taxes in a twelve month period the following amounts:

Toronto-Oshawa—

Seat-mile Tax	\$ 3,540.00
Gasoline Tax	2,915.00
Registration Fees	675.00
(on 5 vehicles in base service)	

Total	<u>\$ 7,130.00</u>
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Toronto-Orillia

Seat-mile Tax	\$ 3,711.00
Gasoline Tax	3,011.00
Registration Fees	1,215.00
(on 9 vehicles in base service)	

Total	<u>\$ 7,937.00</u>
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Toronto-Hamilton

Seat-mile Tax	\$ 6,340.00
Gasoline Tax	6,772.00
Registration Fees	1,215.00
(on 9 vehicles in base service)	

Total	<u>\$14,327.00</u>
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It is at once apparent that irrespective of other coach services over the same roads Gray Coach Lines, Limited, is paying 41.5% of the entire cost of maintaining typical highways over which its services are operated. On the other hand, traffic counts taken by the Department of Provincial Highways of Ontario over a period of several years reveal the fact that, expressed in terms of the number of vehicles using main highways daily, the percentage of motor coaches compared with the total number of motor vehicles does not exceed 1%.

The Company submits that these figures are ample basis for the assertion that the motor coach in Ontario is paying in taxation an amount greatly in excess of its equitable share of the cost of maintaining the right of way which it uses.

REGULATIONS CONTROLLING PROVINCIAL HIGHWAY TRANSPORTATION SERVICES

It is the general opinion of the officials charged in the various provinces with the responsibility, that motor coach services are effectively and satisfactorily regulated and controlled. Particularly in Ontario, which has taken the lead in such matters, the business of providing passenger services over public highways is very closely supervised.

To be explicit, it is found that the provinces practically without exception (the Nova Scotia Public Vehicle Act is not as yet effective) have progressed gradually towards general agreement upon most factors which are taken into consideration in the framing of the legislation controlling highway passenger transport. The following seventy odd items of restriction are for the sake of convenience grouped under seven main headings:—

A.—Departmental Control of Licenses and Permits—

1. License required,
2. Application qualifications—(forms),
3. Departmental investigation of existing conditions,
4. Duration of license,
5. Special license fees,
6. Road tax.
7. License exclusive,
8. Transfer of license,
9. Municipal licenses,
10. Cancellation or suspension,
11. Other penalties,
12. Limitation of number of vehicles,
13. Single trip permits,
14. Security for fees and faithful performance,
15. Public liability insurance required,
16. Amount of security necessary.

B.—Service Requirements—

1. Commencement of service,
2. Quality of service,
3. Schedule of tolls,
4. Time and route schedules,
5. Stated route,
6. Fixed termini,
7. Interruption or discontinuance of service,
8. Accommodation, rest stops, etc.,

9. Passenger load limit,
10. Reports and records,
11. Accident reports,
12. Baggage.

C.—Safety Regulations—

1. Procedure in case of breakdown,
2. Stops on highways,
3. Stops at level crossings,
4. Unattended vehicles,
5. Driver's view to be unobstructed,
6. Safe operation,
7. Careful drivers.

D.—Equipment Requirements—

1. Condition of vehicles,
2. Subject to inspection,
3. Brakes,
4. Exits,
5. Exterior lighting,
6. Interior lighting,
7. Route signs,
8. Emergency equipment,
9. Other equipment specified,
10. Reserve vehicles,
11. Trailers.

E.—Weight, Size and Speed—

1. Maximum gross weight,
2. Maximum weight on any axle,
3. Maximum weight on any wheel,
4. Maximum width,
5. Maximum height,
6. Maximum length,
7. Speed limit—open country,
—populated sections.

F.—Qualifications and Working Conditions of Drivers—

1. License required,
2. Identification,
3. Physical fitness,
4. Character,
5. Ability,
6. Age limit,
7. Working hours,
8. Use of intoxicants,

9. Smoking,
10. Dismissal.

G.—Miscellaneous Regulations—

1. Rights of public for transportation,
2. Concerning free rides,
3. Right of way for street cars,
4. Restrictions as to solicitation of passengers,
5. Limitation of actions.

In Ontario an amendment to the Public Vehicle Act 1933 states that "no license or permit shall be issued to any person without the approval of the Ontario Municipal Board being first obtained as evidenced by a certificate in writing of the said Board of public necessity and convenience furnished to the Department, and then only in accordance with such certificate."

In the Report of the Royal Commission appointed in 1931 to enquire into Railways and Transportation in Canada two statements in this connection should be noted. Section 21 of Appendix II. says: "Though in the case of the motor truck next to be dealt with, it would appear that there is room for stricter regulation and for increased taxation; in the case of the motor coach there is little prospect that either by further taxation or increased regulation will the railroads benefit." Section 22 of Appendix is as follows: "There does not seem, therefore, to be any necessity to recommend additional taxation and regulation of motor coach operations in the interest of the steam railways of Canada."

COST OF ROADS IN THE PROVINCE OF ONTARIO AND CONTRIBUTORY COST BY MUNICIPALITIES AND MOTOR VEHICLE OPERATORS

In any consideration of a solution of the general principle of the equitable distribution of highway costs it is at once apparent that the provision and maintenance of highways directly benefits many classes of the community. The interests of these various classes, however, overlap to such an extent that it is suggested they be grouped for consideration in three main classes:

- (a) Highway users,
- (b) The community generally,
- (c) Abutting and nearby property owners.

The report of the British Royal Commission on Transport, 1929, stated, that the proportion of the highway costs in that country to be borne by the road users should be two-thirds. Since that time a number of authorities have found reason to agree that this is a fair proportion to be assessed against the users of the highways. It is our belief that in this country this figure of 66 2/3% should be considered an absolute maximum because of the fact that much of our road building is for development purposes. Another factor which our governments do not lose sight of when planning highway improvements is the tourist traffic, which is one of the country's largest industries. The money expended in this country by automobile tourists is very widely distributed and the whole country benefits.

The railroads have no cause for complaint that they as taxpayers are contributing to highway costs. The pioneering and development work in our north country, which they at one time were relied upon to do, is now being largely performed by the aeroplane and the motor vehicle. All roads are potentially feeders for the steam railways, and for them all highway extensions and improvements have constituted a great advantage.

It should be unnecessary to point out that all individuals as members of the community are directly benefitted by improved roads and that therefore the community as a whole should bear its share of the costs. It is indicative that most of the requests for road improvements received by the Ontario Department of Provincial Highways come from municipal councils, local boards of trade, business associations, etc. Commerce and industry have come to rely as much upon improved highways as upon the railroads. Methods of distribution have undergone radical changes, resulting in reduced costs of merchandising. The transference of goods from producer to consumer has been expedited.

Abutting and nearby owners of property probably receive the most direct and material benefits from highway construction in the increased value of their properties. For this it is logical that they should contribute to road costs.

Proportionate Costs Among Road Users

Whatever is the final decision on the share of the highway costs which all motor vehicles collectively should pay, the angle of the situation which is of most concern to the interurban operator is the proportion of highway costs borne

by the interurban coach compared with the share contributed by other users of the roads. We will set out to prove that this proportion is already unduly large in Ontario.

It was shown earlier in this statement that the interurban coach in Ontario, as compared with other provinces, is paying more than its share of the highway tax burden. When this comparison is carried to the United States and Great Britain it becomes more apparent that the Ontario coach operator is paying fees for road usage out of all proportion to the assessments which would be considered as his share in either of these countries. If we use as a yardstick the average tax paid by the private passenger car in each of the countries considered, and compare with it the total taxes paid by the interurban coach in the respective places, using the same specification for the two vehicles set out on pages 19 and 20, the following table is obtained:

**Comparison Between Direct Highway Taxes Paid by the
Interurban Coach and the Private Passenger Car in
Great Britain, United States and Canada**

	PRIVATE PASSENGER CAR			INTERURBAN MOTOR COACH		
	Registration Fee	Gas Tax	Total	Registration Fee and Road Tax	Gas Tax	Total
Five Border States (U.S.)	\$11.68	\$14.40	\$26.08	\$163.00	\$216.00	\$379.00
Great Britain ..	102.00	64.00	166.00	278.00	960.00	1238.00
Nine Can. Provinces	15.95	29.33	45.28	418.00	396.00	814.00
Ontario	15.00	24.00	39.00	565.00	360.00	925.00

It is interesting to find that, based upon identical specifications, the typical interurban coach in Canada pays \$814.00, or 115% more in taxes than does the average coach in the five Border States; and the average coach in Ontario pays \$925.00, or 144% more.

In Canada the coach pays just eighteen times the amount in direct highway taxes as is paid by the private passenger car. In Ontario the coach now pays 23.7 times the taxes paid by the private automobile and in 1938 will pay 26.3 times. In Great Britain the ratio is only 7.5 to 1 and in the Border States 14.5 to 1.

It would seem that in Great Britain recognition has been given the fact that a gasoline tax is more a measure of actual use of the roads than any other tax and so has been made

the means by which proportionate contributions are derived from the users of the highways. Regardless of the ultimate share which it is decided that the road users should bear of the total costs of highways, it seems unreasonable that one type of vehicle should be assessed in Ontario twenty-six times the amount collected from the private car; particularly when this vehicle, the interurban coach, is the only means by which a large percentage of the people may avail themselves of the benefits afforded by a rapidly expanding system of improved roads.

It should always be borne in mind that the motor coach is far more efficient in its use of the highway than is the private car. A recent analysis of the respective loads carried by motor coaches and by the private motor car over the several highway entrances to the City of Toronto indicated that average loading is 15.5 passengers for the coach and 1.97 passengers for the private automobile. As the area occupied by the average motor coach is 330 square feet and that of the average private car 140 square feet, a coach passenger utilizes a highway area of 21.3 square feet and a private automobile passenger a highway area of 71.1 square feet. The motor coach is therefore three times as efficient in the use of highway space as the private automobile. Looked at in another way, if the fifteen or sixteen coach passengers were using private cars they would, at normal spacing of 100 feet for safe driving, occupy over 800 feet of highway or twenty times as much as the motor coach.

The roads of today are being built for the private automobile, but should they be reserved for the fortunate ones who can afford private transportation? The heavily taxed interurban coach, operated as it is by Gray Coach Lines on a service-at-cost basis, must of necessity pass these assessments on to its riders. The motor coach has been called the poor man's automobile—why make it an expensive one?

In regard to the statement so often made by steam railway economists that heavier and more costly highway construction is necessitated by the large public vehicles, we need only refer to the evidence submitted by officials of highway departments in both the United States and Canada that climatic conditions would require as heavy and permanent a type of road surfacing as now constructed even if there were no vehicles heavier than the private passenger car. Gray Coach Lines' interurban services are operated almost entirely over main highways, which are hard surfaced and built to endure the extremes of temperature and climatic conditions peculiar to the Ontario climate.

CONCLUSIONS

It is desired to emphasize the fact that the motor coach services are part of a secondary land transport system based on the development of the motor vehicle, which during the past decade has been of enormous advantage to the community. As in the past, the steam railway occupies the place of primary importance in the general transportation scheme of the country, but the mobility and flexibility of the motor vehicle as a transportation agency has a far-reaching value in supplementing the fixed right-of-way services provided by the railway. Both systems have their place in the life of the modern community. Neither should be placed under a handicap for the benefit of the other. Any attempt to throttle development of the secondary system in the field where it is more efficient and more economical than the primary system would adversely affect the development of the country. It is apparent that the future of the steam railways is dependent on this continued progressive development. Efficient transportation of all types is of vital importance, not only to the economic life of the country but to its social life as well.

A major innovation in any field always meets the cry of "unfair competition", but in reality this cry is not a protest against unfairness but rather a protest against newness. Such criticism is no justification for the throttling by taxation or otherwise of any innovation which justifies itself economically. Efforts to halt the march of progress are futile and in the final analysis will react against those who refuse to adopt or recognize the significance of a new development offering increased efficiency.

It is generally recognized that the loss in passenger traffic suffered by the steam railroads in the past twelve or fifteen years is attributable almost entirely to the competition of the private automobile, which is the natural competitor of the railway and the motor coach alike. The report of the Royal Commission to enquire into Railways and Transportation in Canada, 1932, stated: "It is the private automobile which has mainly been responsible for the diversion of the bulk of the passenger traffic to the highways, with the result that the short distance passenger traffic of the railways has shrunk to small proportions and their long distance traffic is threatened." In appendix II. the report states further: "It was agreed both by the railways and by the representatives of the automotive industry and of the motor coach operators, in their appearances before

the Commission, that the loss to the steam railways in passenger revenues is due to the private passenger automobile, and that this loss must be regarded as permanent."

The statement will bear repeating that the railroads were requested on more than one occasion to enter the field of highway transport, but declined. The report of the Royal Commission mentioned above stated: "Provincial authorities in Saskatchewan, Manitoba and Ontario informed us that permits to operate motor coaches along highways parallel to existing railway lines had been offered to the railway companies, but in no case had advantage been taken of the opportunity. The railways have, it would seem, concluded that there is a very small field at present in Canada for the economical utilization of the motor coach as a substitute for or as an auxiliary to the steam train for passengers."

It has already been shown that the interurban motor coach operator in Ontario is paying direct highway taxes proportionately in excess of those paid in either Great Britain or the border states of the United States. He is paying taxes higher than those assessed against other vehicles using the highway and these taxes are out of all proportion to the use which motor coaches make of the highways. It is submitted, therefore, that any recommendations made by the Royal Commission to the Government of Ontario include a definite recommendation that taxes on motor coaches be reduced.

